

# **EVERETT-STEWART REGIONAL AIRPORT**

## **FINANCIAL STATEMENTS**

**June 30, 2009**





## INTRODUCTORY SECTION

**EVERETT-STEWART REGIONAL AIRPORT  
DIRECTORY  
June 30, 2009**

**Obion County Mayor**

Bennie McGuire

**Weakley County Mayor**

Houston Patrick

**Board of Directors**

Perry Barfield

Shawn Francisco

Allen C. "Chris" Gooch

Mike Holman

David James

Wayne McCreight

James H. Westbrook, Jr.

**Key Management Employees**

Jo Ann Speer - Manager

**Independent Certified Public Accountant**

John R. Reese, CPA

## FINANCIAL SECTION

# JOHN R. REESE

CERTIFIED PUBLIC ACCOUNTANT  
PERSONAL FINANCIAL SPECIALIST



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AICPA PERSONAL FINANCIAL  
PLANNING SECTION

## Independent Auditor's Report

Board of Directors  
Everett-Stewart Regional Airport  
Union City, Tennessee

We have audited the accompanying financial statements of the governmental activities, the major fund, and the fund statement of budgetary comparison information of the Everett-Stewart Regional Airport (Airport), a joint venture between Obion County, Tennessee, and Weakley County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the Airport's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Obion County, Tennessee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the fund comprising the Everett-Stewart Regional Airport and are not intended to present fairly position and results of operations of Obion County, Tennessee, or Weakley County, Tennessee, in conformity with accounting principles generally accepted in the United States of America.

The Airport has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Everett-Stewart Regional Airport as of June 30, 2009, and the respective changes in financial position and the general fund statement of budgetary comparison information for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2010, on our consideration of Everett-Stewart Regional Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The introductory section and the schedules of federal awards and state grants are presented for purposes of additional analysis and are not required to be part of the basic financial statements. The schedules of federal awards and state grants have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on it.

*John R Reese CPA*

May 26, 2010

**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
June 30, 2009

<b>ASSETS</b>	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Net Assets</b>
Cash	\$ 718,209	\$ -	\$ 718,209
Accounts Receivable, Net	12,985	-	12,985
Due From Grantor	43,589	-	43,589
Prepaid Local Matching Funds	194,699	-	194,699
Inventory	25,190	-	25,190
Capital Assets, Net of Accumulated Depreciation			
Land	-	376,993	376,993
Buildings	-	591,183	591,183
Infrastructure	-	1,599,131	1,599,131
Equipment	-	10,286	10,286
Work-In-Progress	-	1,224,111	1,224,111
<b>Total Assets</b>	<u>994,672</u>	<u>3,801,704</u>	<u>4,796,376</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accounts Payable	417,339	-	417,339
Payroll Liabilities	1,574	-	1,574
Sales Tax Payable	1,229	-	1,229
Deferred Revenue	8,570	-	8,570
<b>Total Liabilities</b>	<u>428,712</u>	<u>-</u>	<u>428,712</u>
Fund Equity/Net Assets			
Unreserved Fund Equity	<u>565,960</u>	<u>(565,960)</u>	<u>-</u>
<b>Total Liabilities And Fund Equity</b>	<u>\$ 994,672</u>	<u>(565,960)</u>	
Net Assets			
Invested in Capital Assets		3,801,704	3,801,704
Unrestricted		<u>565,960</u>	<u>565,960</u>
<b>Total net assets</b>		<u>\$ 3,801,704</u>	<u>\$ 4,367,664</u>



**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND EQUITY**  
**Year Ended June 30, 2009**

<b>EXPENDITURES / EXPENSES</b>	<b>General Fund</b>	<b>Adjustments (Note 2)</b>	<b>Statement of Activities</b>
Current			
Maintenance and Utilities	\$ 36,869	\$ -	\$ 36,869
Administration	165,437	-	165,437
Fuel Cost of Sales	318,042	-	318,042
Depreciation	-	427,465	427,465
Capital Outlay	825,184	(825,184)	-
<b>Total Expenditures</b>	<b>1,345,532</b>	<b>(397,719)</b>	<b>947,813</b>
<b>PROGRAM REVENUES</b>			
Charges For Services	499,806	-	499,806
Operating Grants and Contributions	298,038	-	298,038
Capital Grants and Contributions	843,211	-	843,211
<b>Total Program Revenues</b>	<b>1,641,055</b>	<b>-</b>	<b>1,641,055</b>
<b>Net Program Revenues</b>	<b>295,523</b>	<b>397,719</b>	<b>693,242</b>
<b>GENERAL REVENUES</b>			
Interest Earnings	5,296	-	5,296
Donations	14,000	-	14,000
Other Revenue	7,516	-	7,516
<b>Total General Revenues</b>	<b>26,812</b>	<b>-</b>	<b>26,812</b>
<b>Excess of Revenues Over Expenditures</b>	<b>322,335</b>		
<b>Change in Net Assets</b>		<b>397,719</b>	<b>720,054</b>
<b>FUND BALANCE (DEFICIT) / NET ASSETS</b>			
Beginning of the Year	243,625	3,403,985	3,647,610
<b>End of the Year</b>	<b>\$ 565,960</b>	<b>\$ 3,801,704</b>	<b>\$ 4,367,664</b>

**EVERETT-STEWART REGIONAL AIRPORT**  
**STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget -</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenues</b>				
Federal Grant Revenue Through State	\$ 1,042,997	\$ 1,042,997	\$ 255,322	\$ (787,675)
State Grant Revenue	13,500	13,500	657,140	643,640
County Governmental Distribution	150,000	150,000	298,038	148,038
Other Contributions and Gifts	6,000	6,000	14,000	8,000
Rent Income	126,100	126,100	104,580	(21,520)
Interest Income	2,100	2,100	5,296	3,196
Sale of Gasoline	375,000	375,000	392,823	17,823
Airport Fee	250	250	250	-
Other Revenue	5,000	5,000	7,516	2,516
<b>Total Revenues</b>	<u>1,720,947</u>	<u>1,720,947</u>	<u>1,734,965</u>	<u>14,018</u>
<b>Expenditures</b>				
Airport Manager	43,260	43,260	43,459	(199)
Airport Manager Commissions	9,000	9,000	8,190	810
Other Salaries and Wages	36,000	36,000	38,863	(2,863)
Payroll Expenses	6,752	6,752	5,906	846
Advertising	2,000	2,000	1,898	102
Audit	5,000	5,000	2,500	2,500
Telephone	6,200	6,200	6,054	146
Dues and Subscriptions	6,000	6,000	389	5,611
Legal Services	200	200	230	(30)
Licenses	1,300	1,300	831	469
Maintenance and Repair - Buildings	5,500	5,500	10,496	(4,996)
Maintenance and Repair - Equipment	1,500	1,500	6,278	(4,778)
Maintenance and Repair - Vehicles	2,500	2,500	238	2,262
Pest Control	150	150	153	(3)
Postage	400	400	527	(127)
Printing	300	300	538	(238)
Travel	3,000	3,000	3,376	(376)
Mowing	14,000	14,000	20,760	(6,760)
Utilities	18,350	18,350	23,568	(5,218)
Disposal Fees	500	500	1,913	(1,413)
Oil and Filters	1,100	1,100	2,451	(1,351)
Fuel	332,000	332,000	353,275	(21,275)
Office Supplies	2,000	2,000	2,033	(33)
Uniforms	-	-	97	(97)
Other Supplies and Materials	6,000	6,000	7,632	(1,632)
Insurance	8,630	8,630	8,322	308
Testing	1,300	1,300	1,164	136
Credit Card Fees	-	-	7,555	(7,555)
Miscellaneous	10,000	10,000	1,508	8,492
Reconciliation Discrepancies	-	-	957	(957)
Environmental Assessment	-	-	27,649	(27,649)
Taxiway Overlay, Lighting, Drainage Project	16,530	16,530	-	16,530
Runway Justification Study	-	-	-	-
Appraisal for Runway Extension	-	-	39,831	(39,831)
Tee Hanger Project	14,072	14,072	146,917	(132,845)
Tee Hanger Project 2	-	-	-	-
Airport Layout Plan Project	-	-	6,265	(6,265)
Security Improvements Project	38,333	38,333	20,931	17,402
Lighted Windcone Project	-	-	5,796	(5,796)
Hangar Repair Project	250,000	250,000	136,422	113,578
Runway Ext D & B Phase	340,000	340,000	5,800	334,200
Beacon Tower	76,000	76,000	17,800	58,200
Taxi Lane Ramp Project	-	-	171,175	(171,175)
Fuel Farm Project	-	-	20,531	(20,531)
Land Acquisition	456,050	456,050	41,242	414,808
Generator Project	130,000	130,000	-	130,000
Other Equipment	-	-	4,300	(4,300)
<b>Total Expenditures</b>	<u>1,843,927</u>	<u>1,843,927</u>	<u>1,205,820</u>	<u>638,107</u>
<b>Excess Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (122,980)</u>	<u>\$ (122,980)</u>	529,145	<u>\$ 652,125</u>

Adjustments From Budgetary Basis to GAAP Basis:

Convert Revenue From Cash Basis to Modified Accrual Basis	(67,098)
Convert Expenditures From Cash Basis to Modified Accrual Basis	(139,712)
Excess of Revenues Over Expenditures - GAAP Basis	<u>\$ 322,335</u>

See accompanying notes to financial statements

## NOTES TO BASIC FINANCIAL STATEMENTS

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**NOTE 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Everett-Stewart Regional Airport is a joint venture between Obion County, Tennessee, and Weakley County, Tennessee. In prior years, the Airport was considered a special revenue fund of Obion County, Tennessee, and was included in their audit report. On December 1, 2006, an inter-local agreement between Obion and Weakley Counties was enacted for the joint operation of the airport, as authorized by Tennessee Code Annotated §42-5-201, et. seq.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, in accordance with generally accepted accounting principles (GAAP) as defined in the Statements of Governmental Accounting Standards Board (GASB). Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available, when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Airport has determined a period of availability of 60 days after the end of the current fiscal period. Grant funds, where expenditure is the prime factor for determining eligibility, are recognized as revenue when the expenditure is made. Grant proceeds received after the 60-day period of availability are recorded as deferred revenue. Expenditures under the modified accrual basis of accounting are recorded when the related liability is incurred.

Since the Everett-Stewart Regional Airport is presented as a single governmental fund, the government-wide and fund financial statements have been combined. The statements present the general fund on a governmental basis and then show adjustments necessary to convert the fund information into the government-wide format.

Revenues from local sources consist primarily of rental income from land leased to farmers, hangar space rented to various individuals, and fuel sales. Proceeds from leased farm land are based on crop production; thus, they are recognized when received because they are not generally measurable until actually received. Hangar rental income and fuel sales are recognized when susceptible to accrual.

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**C. Assets, Liabilities and Fund Balance**

Deposits and Investments

State statutes authorize the Airport to invest in certificates of deposit; obligations of the U.S. Treasury, agencies and instrumentalities; obligations by the U.S. government or its agencies; repurchase agreements, as approved by the state director of local finance; and the State's local government investment pool.

Accounts Receivable

Accounts receivable represent amounts due for fuel sales and hangar rent. Due from grantor includes amounts requested from the grantor for expenditures incurred prior to year end but not received.

Capital Assets

The capital assets acquired by Everett-Stewart Regional Airport are recorded as expenditures at the time of purchase, consistent with governmental fund accounting. Capitalized assets (those with an individual cost exceeding \$10,000) are then recorded as adjustments to the governmental fund balance sheet to arrive at the government-wide statement of net assets. The cost of capital assets includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition - such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. According to the inter-local agreement, ownership of the property and facilities of the Airport shall continue to be held solely by Obion County, Tennessee, including ownership of improvements made to the property and facilities.

Compensated Absences

The Airport's obligation for employees' rights to receive compensation for future absences, such as vacation, was not material as of June 30, 2009, and thus, is not recognized in the accompanying financial statements.

Fund Balance

Governmental funds report all funds that have not been restricted or designated as unreserved. The Airport elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

**NOTE 2 - Reconciliation of Government-wide and Fund Financial Statements**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Adjustments on the Statement of Net Assets and Governmental Fund Balance Sheet were comprised of the following:

Governmental fund capital assets	\$ 7,688,463
Less: accumulated depreciation	<u>(3,886,759)</u>
Net adjustment to increase fund equity - total governmental funds to arrive at net assets - governmental activities	<u>\$ 3,801,704</u>

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The adjustments on the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Equity report these amounts individually.

**NOTE 3 - Stewardship and Accountability**

The Everett-Stewart Regional Airport is operated by a board consisting of 4 members appointed from Obion County and 3 members appointed by Weakley County. At least one appointee from each county shall be a county commissioner. Obion County and Weakley County will each contribute an equal amount annually, to be applied toward the annual operating budget of the Airport. A balanced annual operating budget must be approved by the governing bodies of both Weakley County and Obion County, and shared equally. No purchase or expenditure in excess of the sum allotted in the annual budget may be made by the Board without the approval of counties' legislative bodies. Unexpended appropriations lapse at the end of each year. The budgetary level of control is at the major category level. The Airport's budgetary basis of accounting is the cash basis, which is common for governmental funds. The differences between the budgetary basis and the modified accrual basis (gaap) have been reconciled on the face of the budgetary comparison statement.

For the year ended June 30, 2009, Airport expenditures exceeded the appropriated amount for several line items. However, total expenditures did not exceed total appropriations.

**NOTE 4 - Detailed Notes on Accounts**

**A. Deposits and Investments**

Custodial Credit Risk - The Airport's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Airport's agent in the Airport's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Airport to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all bank deposits were not fully collateralized or insured. Balances exceeded FDIC limits, however, management does not feel there is a risk of loss.

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2009

**B. Capital Assets**

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 376,993	\$ -	\$ -	\$376,993
Construction in Progress	878,762	820,884	475,535	1,224,111
Total Capital Assets not being depreciated	<u>1,255,755</u>	<u>820,884</u>	<u>475,535</u>	<u>1,601,104</u>
Capital Assets, being Depreciated				
Buildings	417,631	475,535	-	893,166
Infrastructure	5,144,630	-	-	5,144,630
Equipment and Vehicles	45,263	4,300	-	49,563
Total	<u>5,607,524</u>	<u>479,835</u>	<u>-</u>	<u>6,087,359</u>
Less Accumulated Depreciation for:				
Building	281,772	20,211	-	301,983
Infrastructure	3,140,549	404,950	-	3,545,499
Equipment and Vehicles	36,973	2,304	-	39,277
	<u>3,459,294</u>	<u>427,465</u>	<u>-</u>	<u>3,886,759</u>
Net Capital Assets being Depreciated	<u>2,148,230</u>	<u>52,370</u>	<u>-</u>	<u>2,200,600</u>
Governmental Activities Capital Assets - Net	<u>3,403,985</u>	<u>873,254</u>	<u>475,535</u>	<u>3,801,704</u>

**NOTE 5 - Other Information**

**A. Operating Leases**

Farm Land - The Airport leases 614 acres of farm land to six area farmers. A new contract covering the period from January 2009 through December 2011 states that half of the annual rental is to be paid on March 1 and the remaining half on November 1 of each year. Total rental income under these contracts for the year ended June 30, 2009, was \$68,851.

Land - The Airport entered into an agreement on May 18, 1999, to lease land to Vaughn Electric Company, Inc., for the construction of a private hanger. The term of the lease is twenty years with an option to renew the lease for an additional term of ten years. At the expiration of the lease agreement or the option period, the building will become the property of the Obion County Airport Commission. No payments for the lease were received for the year ended June 30, 2008. The lessee had forgotten to make the payments. Per the lessee, payments for FY 08 and FY 09 were made in FY 09. Future minimum lease payments for the remainder of the lease are \$300 per fiscal year.

**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

Buildings - On September 14, 1992, the County of Obion, Tennessee, acting through the Obion County Airport Commission, entered into a general fixed base operator's lease agreement and contract with West Tennessee Aviation, Inc. The agreement was modified in May 2002, and terminated West Tennessee Aviation's right to operate as a general fixed base operator and their right to dispense fuel. The agreement allows the corporation to lease space in the maintenance hangar with lean-to until December 31, 2007, with the option to renew the lease for two terms of five years each. The lease was renewed on September 10, 2007 and extended until December 31, 2013. The monthly rent effective January 1, 2006, which did not change upon renewal, was \$1,400. Total rent income under this contract was \$16,800 for the year ended June 30, 2009.

A lease was executed with Larry Russell of Russell's Flying Service to lease a portion of the north hanger for \$350 per month. The lease is in effect from January 1, 2009 to January 31, 2013, with an option to renew for an additional five years. Income under this lease for the year ended June 30, 2009, was \$4,200.

Effective June 1, 2006, the Airport entered into lease agreement with Cutting Edge for a period of 5 years with a monthly rental of \$100. Total rent received under this agreement for the year ended June 30, 2009, was \$1,200.

A lease was executed with Stoney Orton to lease office space for \$100 per month. The lease is in effect from October 1, 2008 to September 30, 2009. Income under this lease for the year ended June 30, 2009, was \$1,000.

Future annual minimum lease payments to be received under the operating leases described above for the next five fiscal years are:

Year ending June 30, 2010	\$22,800
Year ending June 30, 2011	22,400
Year ending June 30, 2012	21,300
Year ending June 30, 2013	21,300
Year ending June 30, 2014	10,800

**B. Long-Term Agreements**

The County of Obion, Tennessee, entered into a contract with the State of Tennessee on September 12, 1988, for the establishment and maintenance of an Automated Weather Observation System (AWOS) at Everett-Stewart Regional Airport. The State agreed to purchase, install and maintain the equipment necessary for the AWOS, and the County agreed to provide the site, electrical power source, electrical power service, telephone service installation and telephone service for a period of twenty years at no cost to the State.

The County of Obion, Tennessee, entered into a contract with the Federal Aviation Administration on March 10, 2000, for the installment and maintenance of an Instrument Landing System (ILS) at Everett Stewart Regional Airport. The FAA agreed to purchase, install and maintain the equipment necessary for the ILS, and the County agreed to provide the site.



**EVERETT-STEWART REGIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**

**C. Risk Management**

The Airport is exposed to various risks related to general liability, property and casualty losses and workers' compensation. The Airport carries commercial insurance to limit its risks from liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. All other risks of loss are covered through the general policies of Obion County, as summarized below.

Property and Casualty Insurance - The County participates in the Local Government Property and Casualty Fund (LGPCF) which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The County pays an annual premium to the LGPCF for its general liability and property and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The County bills the Airport for its proportionate share of the premiums. The LGPCF reinsures through commercial insurance companies for claims in excess of a specified amount for each insured event.

Workers' Compensation Insurance - Obion County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 2920-401, TCA, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The County pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The County bills the Airport for its proportionate share of the premiums. The LGWCF reinsures through commercial insurance companies for claims in excess of a specified amount.

General Liability Insurance – the Airport obtained this coverage as a separate policy from Obion County. The policy is with the U.S. Specialty Insurance Company through Ebco Aviation Underwriters, Inc. The annual premium is \$8,322.

## SUPPLEMENTARY INFORMATION SECTION

**EVERETT-STEWART REGIONAL AIRPORT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2009

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-Through Number</b>	<b>Balance 07/01/08</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Balance 06/30/09</b>
<b>Federal Aviation Administration, Department of Transportation / Tennessee Dept of Transportation, Aeronautics Division /</b>						
Fuel Farm Project	20.106	66-555-0145-04	-	3,864	5,799	(1,935)
less local match		Z-09-21-3955-00	-	580	580	-
			-	3,284	5,219	(1,935)
T-Hangar Engineering & Construction	20.106	66-555-0132-04	-	135,449	135,449	-
less local match		Z-07-03-8686-00	-	13,545	13,545	-
			-	121,904	121,904	-
Runway Extension - Bid Phase	20.106	66-555-0740-04	-	116,009	116,009	-
		Z-08-20-0815-00	-			
Total Federal Assistance			-	241,197	243,132	(1,935)

NOTE: The accompanying schedule of expenditures of federal awards was prepared on the modified accrual basis of accounting. Numbers presented may differ from the financial statements by immaterial amounts due to timing differences and local matching funds.

**EVERETT-STEWART REGIONAL AIRPORT**  
**SCHEDULE OF STATE GRANTS**  
For the year ended June 30, 2009

<u>State Grantor / Program Title</u>	<u>Grant Number</u>	<u>Balance 07/01/08</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance 06/30/09</u>
<b>Tennessee Dept of Transportation, Aeronautics Division /</b>					
Airport Maintenance	99-555-1156-04 Z-08-02-1625	(12,645)	12,645 *	-	-
Airport Maintenance	99-555-1156-04 Z-08-02-1625	-	10,130	18,700 **	(8,570)
Runway Extension - Bid Phase less local match	66-555-0740-04 Z-08-20-0815-00	- -	12,300 14,007	39,624 14,007	(27,324) -
		-	(1,707)	25,617	(27,324)
Airport Layout Plan less local match	66-555-0729-04 Z-07-03-7557	- -	6,266 627	6,266 627	- -
		-	5,639	5,639	-
Security Improvements less local match	66-555-0737-04 Z-08-20-0703	- -	15,682 1,859	18,590 1,859	(2,908) -
		-	13,823	16,731	(2,908)
Wind Cone Replacement less local match	66-555-0739-04	-	5,796	5,796	-
		-	580	580	-
		-	5,216	5,216	-
Apron & Taxi-lane Additions less local match	66-555-0736-04 Z-07-03-7687	- -	155,048 15,505	155,048 15,505	- -
		-	139,543	139,543	-
Hangar Repair less local match	66-555-0438-04 Z-08-20-0699	- -	31,413 16,695	33,390 16,695	(1,977) -
		-	14,718	16,695	(1,977)
Beacon Tower less local match	66-555-0741-04	-	8,416	9,291	(875)
		-	929	929	-
		-	7,487	8,362	(875)
Land Acquisition less local match	66-555-0746-04 Z-09-21-3991	- -	399,446 39,945	399,446 39,945	- -
		-	359,501	359,501	-
Total State Grants		(12,645)	566,995	596,004	(41,654)

\* Revenue in Current Year, Deferred in Prior Year

\*\* Deferred Revenue in Current Year

State Grant Revenue per Statement of Activities

12,645  
(8,570)  
600,079

NOTE: The accompanying schedule of state grants was prepared on the modified accrual basis of accounting.

## INTERNAL CONTROL AND COMPLIANCE SECTION



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**Report on Internal Control Over Financial Reporting**  
**And on Compliance and Other Matters Based on an Audit of**  
**Financial Statements Performed In Accordance With Government Auditing Standards**

The Board of Directors  
Everett-Stewart Regional Airport  
Union City, Tennessee 38261

We have audited the financial statements of the governmental activities, the major fund, and the general fund statement of budgetary comparison information of Everett-Stewart Regional Airport, a joint venture between Obion County, Tennessee, and Weakley County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated May 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Everett-Stewart Regional Airport's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01, 09-01, 09-02, and 09-03 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-01 and 09-03 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Everett-Stewart Regional Airport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as items 05-1 and 09-04.

Everett-Stewart Regional Airport's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Airport's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Director's, management, the Obion County Commission, Weakley County Commission and the State of Tennessee Comptroller's Office, Division of County Audit, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*John R. Reese CPA*

May 26, 2010

**EVERETT-STEWART REGIONAL AIRPORT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2009**

**07-01 Segregation of Duties**

Condition: The Airport did not fully segregate the record keeping, custodial and authorization functions of its internal accounting controls. A board member is responsible for preparing financial reports and reconciling the bank account and also has check-signing authority. However, the duties are not segregated enough to have adequate controls over the accounting functions.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the Airport to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that a weakness does exist in the system of internal accounting controls.

Response: *Due to limited funding, it is not feasible for the Airport to employ additional employees in order to segregate duties. We have hired a part-time office assistant which helps with the segregation of duties. To avoid risk of errors, two signatures are required on all checks.*

**05-01 Collateralization**

Condition: During our audit testing, we noted instances where the Airport's deposits were under-collateralized.

Criteria: Tennessee Code Annotated (TCA), Title 9, Chapter 4 requires public deposits to be secured by collateral whose market value is equal to 105% of the value of deposits.

Effect: In the event that the bank were to have difficulties, the Airport might not receive all of its deposits if not fully insured by FDIC insurance and pledged securities.

Recommendation: We recommend that the Airport closely monitor the market value of pledged securities in order to ensure that they have sufficient collateral to cover 105% of deposited funds.

Response: *We will monitor more closely to make sure we have sufficient collateral. The instances referred to in this finding were due to large amounts of grant proceeds being received. The funds were paid out a few days later.*



**EVERETT-STEWART REGIONAL AIRPORT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009**

**09-01 Lack of Daily Collection Records and Use of Prenumbered Receipts**

Condition: Airport personnel do not prepare a daily collection report, summarizing all collections by source and the amount of the deposit.

Criteria: The Internal Control and Compliance Manual for Tennessee Municipalities, Title 3, Chapter 1, Sections 5 and 6 states that "each day the cashier summarizes all collections by source on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short."

Effect: If cash receipts are not documented correctly, then there is the potential for cash receipts being misplaced or not handled properly.

Recommendation: We recommend that the Airport implement a daily collection report, which would summarize all collections by source and the amount of the deposit.

Response: *We concur. We have implemented a daily collection report, summarizing all collections by source and the amount of the deposit.*

**09-02 Incorrect General Ledger Postings**

Condition: All credit card receipts are recorded as fuel sales in the general ledger, regardless of the source of the revenue.

Criteria: The airport receives credit card payments for fuel sales as well as other items, such as hangar rent, etc. However, all credit card receipts for the month are recorded as fuel sales in the general ledger.

Effect: If the sources of revenue are not recorded properly, then the general ledger can be misleading.

Recommendation: To ensure that the general ledger properly reflects the financial position of the Airport all revenue should be recorded by the proper source.

Response: *We concur. We have implemented a process to properly segregate the credit card receipts.*

**EVERETT-STEWART REGIONAL AIRPORT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2009**

**09-03 Reconciliation Discrepancies**

Condition: The airport had a \$957.35 expense recorded as "Reconciliation Discrepancies".

Criteria: Management could not provide an explanation for two journal entries that made up this expense amount. In the general ledger, the entries were noted as "balance adjustments" to the cash in bank account, reducing the bank account by this amount.

Effect: If the bank accounts are not properly reconciled and material variances investigated, the financial statements can be impacted and the potential for fund misuse exists.

Recommendation: The bank accounts should be reconciled properly and all variances should be investigated until a satisfactory disposition is found.

Response: *We concur.*

**09-04 Several Expense Categories Exceeded the Legally Adopted Budget**

Condition: Several major categories exceeded the legally adopted budget for the airport. However, the expenses in total were within the amount appropriated.

Criteria: In order for resources to be properly managed, expenses should be monitored in relation to the adopted budget.

Effect: The potential exists for resources to be used for other reasons than originally planned for if there is not continuous monitoring compared to the adopted budget.

Recommendation: The should review actual versus budget progress on a regular basis and consider adopting budget amendments as appropriate.

Response: *We concur. We will monitor and make budget amendments as necessary.*

**EVERETT-STEWART REGIONAL AIRPORT  
DISPOSITIONS OF PRIOR AUDIT FINDINGS  
June 30, 2009**

**08-01 Funds Not Being Deposited Within Three Days of Receipt**

Current Status: The conditions causing this finding have been corrected.

**08-02 Bank Account Reconciliation Not in Agreement with General Ledger**

Current Status: The conditions causing this finding have been corrected.

